

PART 1902 - SUPERVISED BANK ACCOUNTS

Subpart C - Selecting a Financial Institution for the Concentration Banking System (CBS)

§1902.101 General.

This subpart prescribes the policies and procedures of the Farmers Home Administration (FmHA) for selecting a financial institution for the deposit of payments through the Concentration Banking System (CBS).

§1902.102 Definitions.

- (a) Borrowers, as referred to in this subpart, include loan, loan guarantee, and grant recipients.
- (b) Financial institutions (FI) referred to in this subpart include banks, savings and loan associations, and credit unions that are insured by the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), or National Credit Union Administration (NCUA), with special consideration given to the use of minority banks, whenever possible.
- (c) Treasury Limited Account (TLA) referred to in this subpart is an account established in a financial institution through a Memorandum of Understanding between Treasury and a local financial institution to speed the movement of FmHA collections. Only one such account may be maintained by an FmHA field office.
- (d) FmHA field offices referred to in this subpart are FmHA County or District Offices, and in some cases, State Offices.
- (e) FmHA field office supervisors referred to in this subpart are FmHA County Supervisors, District Directors, or other FmHA employees authorized to act for them.
- (f) State office coordinators are individuals appointed by the State Director to ensure that CBS is operated smoothly.
- (g) Memorandum of Understanding (MOU). An agreement signed by a FI and Treasury whereby the FI agrees to perform collection services for FmHA according to Treasury requirements.

DISTRIBUTION: WSDC

General
Supervised Bank Accounts

RD Instruction 1902-C
§1902.102 (Con.)

(h) Automated Clearing House (ACH). A facility used by FIs to distribute electronic debit and credit entries to the accounts of FIs. A paperless system whereby charges are made by means of accounting entries on the books of the Federal Reserve Banks or Branches.

§1902.103 Selecting a financial institution.

A TLA must be established at an "eligible" local FI by each FmHA field office participating in CBS. A local FI may be a bank, a savings and loan association, or a credit union that meets the requirements stated in the U. S. Treasury Financial Manual For Treasury Limited Depositories (available upon request from the Cash Management Staff). The FmHA field office shall notify all local FIs within a reasonable proximity to an FmHA office that the services of a FI are needed for CBS. FI's will receive correspondence by RD Form Letter 1902-6 from the RD State Director which describes the CBS concept along with Attachment A of RD Form Letter 1902-6 which reflects information on the expected volume of business from the FmHA field office, Attachment B of RD Form Letter 1902-6 which shows the expected compensation schedule and RD Form 1902-7, "Financial Institution Summary For CBS," which includes an availability schedule showing the percentage of funds available on days following the date of deposit. This information should be sent to each local FI by certified mail, Return Receipt Requested, at least 30 days before the system is scheduled to begin operation. If a FI is interested in participating in the selection progress, the FmHA field office will determine whether the FI meets the following minimum requirements in order to be considered for selection. These requirements are:

(a) Requirements for participation in CBS. To participate in CBS a FI will:

- (1) Agree to the provisions of the MOU, (TFS FORM 1221 1185) which is available upon request from the Cash Management Staff.
- (2) Have Federal Deposit Insurance coverage (FDIC, FSLIC or NCUA).
- (3) Be located near the FmHA field office or offer free courier service to the FmHA field office. No set distance is prescribed. Since a daily trip to the FI will be required, FmHA field offices should limit the selection to a small number of FIs as close as possible, unless free courier service is offered by a FI farther away.
- (4) Accept Treasury established standard fees as compensation.

§1902.103 (a) (Con.)

(5) Accept no reimbursement for uncollected funds or provide an availability schedule demonstrating scheduled funds. The FI must check the appropriate block on Form RD 1902-7, if it agrees to accept no reimbursement for uncollected funds.

(6) Be able to accept Federal Reserve ACH debit and credit entries, or have a correspondent bank with ACH capabilities.

(b) Basis for selection. A number of FIs may be interested in participating at each field location. Each FI meeting the minimum requirements in (a) above shall be judged on a basis of the FI offering the greatest value to the Government. The basis for selection shall be the criteria listed below:

(1) Access to the FmHA office (50 points). The easier the access to the FmHA office the higher the point value.

(2) Best availability factor (25 points). 100% availability within 24 hours maximum points.

(3) Deposit cut off times (25 points). The later the cut off time the higher the point value.

(4) Free courier service (50 points). Zero points for a pay for courier service or no courier service.

(c) Co-located offices. When the County and District Office are co-located, they will use the same FI for CBS. A separate account will be established for each office.

(d) FmHA field offices unable to locate a convenient FI. If the FmHA field office cannot locate a convenient FI willing to participate in CBS, the FmHA field office will call the State Office coordinator and the State Office coordinator will call the Cash Management Staff for assistance. Alternatives for handling deposits may include mailing of deposits to a distant FI for deposit in the subject FmHA field office's TLA, or mailing of payments to the wholesale lockbox as prescribed in RD Instruction 2018-D.

(Revised 11-02-94, PN 236.)

§1902.104 Establishing or changing a TLA.

(a) Establishing a TLA.

(1) After a FI has been selected by the FmHA field office, the FmHA field office will provide the State Office with the name and address of the FI selected.

RD Instruction 1902-C
§1902.104 (a) (Con.)

(2) The FmHA field office must have the FI execute a MOU for CBS. Form RD 1902-7, will be completed when the MOU is executed. The FmHA field office will complete item 1 and the FI will complete the rest of the summary. Instructions for completing this form are in the FMI. The FmHA field office will forward three signed copies of the MOU together with the original and two copies of Form RD 1902-7 to the State Office coordinator. The State Office coordinator will check for the following common errors before submitting to the:

Cash Management Branch
FmHA Finance Office
Mail Code FC-354
1520 Market Street
St. Louis, MO 63103

- (i) Check to see that the local bank has signed all copies of the MOU and has affixed its seal next to the signature.
 - (ii) Check signature blocks to insure that the local FmHA office has not signed in any of the blocks provided for the local bank and Treasury. This agreement is between the local bank and Treasury and FmHA will not be a party to the agreement.
 - (iii) Do not allow the bank to cross out or change any clauses in the MOU. Treasury will not accept modified agreements.
 - (iv) Do not allow the bank to retype the agreement as this would require a word-for-word verification of the entire document to determine whether anything had been changed.
- (3) The Cash Management Branch will submit the MOU's to Treasury for signature along with the original and one copy of Form RD 1902-7. Treasury will sign the copies of the MOU, send one copy to the FI, one to the local FmHA office, and keep one copy for the files. Treasury will notify the Cash Management Branch if a MOU is rejected.
- (4) The local FmHA office must obtain selected information from the FI for funds transfer purposes on CBS including information necessary to establish a compensation account to receive ACH transfers from the concentrator bank.

(b) Changing a TLA.

(1) To cancel an existing MOU with a FI the FmHA field office must request from the State Director approval to recommend cancellation to Treasury. If the State Director approves recommendation for cancellation, the local FmHA office must provide written request for cancellation to Treasury via the Cash Management Staff at least 45 days before the requested effective date of the change. The name and address of the new FI selected must also be provided to Treasury at the same time. Treasury will send the necessary revocation to the old FI and the new MOU for CBS to the local FmHA office for execution with the new FI.

(2) After the Treasury has approved the cancellation, the local FmHA office will establish an account with a new FI and execute new agreements in accordance with paragraph (a) of this section. The FI must also establish a compensation account to receive ACH transfers from the concentrator bank.

(3) After the new agreements have been signed, the FmHA field office will write "CANCEL" across a file copy of Form RD 1902-7 for the old FI and forward them to the Cash Management Staff. Properly executed agreements for the new FI must be filled out and enclosed with the cancelled forms to ensure concurrent processing. The new agreements must be received by the Cash Management Staff on or before the 15th of the month to allow deposit of funds in the new FI on the first business day of the month. The Finance Office will send the CBS information to the concentrator bank.

§1902.105 Prenoting.

(1) After the accounting information is provided to the concentrator bank for CBS, the concentrator bank will test the funds transfer process for CBS. The concentrator bank will use its ACH capability to electronically forward an ACH debit request for \$0 to the FI. This "prenote" process will test the account and transit information provided by the FI.

(2) The concentrator bank will prenote the TLA at the FI at least 10 working days before the first deposit is made by the local FmHA office. If any problems are encountered with the prenote, the FI should notify the local FmHA office. The local FmHA office will advise the Cash Management Staff of problems encountered. The Cash Management Staff will work with the concentrator bank which will make the necessary corrections in the account information.

§1902.106 - 1902.149 [Reserved]

§1902.150 OMB control number.

The collection of information requirements in this regulation have been approved by the Office of Management and Budget and have been assigned OMB Control Number 0575-0128.

